

What Is the Price of a Mistake?

“My banker has never asked me for my report card.”

— RICH DAD

At the age of fifteen, I failed the subject of English. I failed English because I could not write, or I should say, my English teacher did not like what I wrote about. Arid, my spelling was horrible. That meant I would have to repeat my sophomore year. The emotional pain and embarrassment came from many fronts. First of all, my dad was the Superintendent of Education for the island of Hawaii and in charge of over forty schools. There was snickering and laughter throughout the halls of education as the word spread from school to school that the boss's son was an academic failure. Second, failing meant I was going to join my younger sister's class. In other words, she was moving forward and I was moving backward. And third, it meant I would not receive my athletic letter for playing varsity football, the sport for which I had played my heart out. The day I received my report card and saw the F for English, I went behind the building that housed the chemistry lab to be alone. I sat down on the cold concrete slab, pulled my knees up to my chest, pushed my back up against the wooden building, and began to cry. I had been expecting this F for a few months, but seeing it on paper brought out all the emotions suddenly and uncontrollably. I sat alone behind the lab building for over an hour.

The good news was that my best friend, Mike, rich dad's son, had also received an F. It wasn't good that he failed too, but it was good that I at least had some company to go along with my misery. I waved to him as he headed across the campus to catch his ride home, but all he did was shake his head and kept on walking.

That evening, after my siblings had gone to bed, I told my mom and dad that I had failed English and would have to repeat my sophomore year of high school. At that time, the educational system had a policy requiring a student

failing either English or Social Studies to repeat the entire year. My dad, who ran the educational system of the island, was quite **familiar** with the policy. While they had expected this news, the confirmation of my failure was still a **difficult reality**. My dad sat quietly and nodded. His face was **expressionless**. My mom, on the other hand, was having much more difficulty. I could see the emotions on her face... emotions that went from **sadness** to **anger**. Turning to my dad she said, "What's going to happen now? Will he be held back?" All my dad would say in reply was, "That's the policy. But before I make any decision, I'll look into the matter."

For the next few days, my dad, the man I refer to as my poor dad, did look into the matter. My dad discovered that out of my class of thirty-two, the teacher had **failed fifteen of us**. The teacher had given Ds to eight students. One student had an A, four had Bs, and the rest Cs. With such a high failure rate, my dad stepped in. He did not step in as my father, but as the **Superintendent** of Education. His first step was to order the principal of the school to open a **formal investigation**. The investigation began with interviews of the students in the class. The investigation ended with the teacher being **transferred** to another school and a special summer school offered to students who wanted an opportunity to improve their grades. I spent three weeks that summer working my way up to a **D in English** and was able to move on to the eleventh grade with the rest of my class.

My dad found that there were rights and wrongs with both the **students** and the **teacher**. What disturbed my dad was that most of those who failed were the top students in the **sophomore class**. Most of us were on track to go on to college. So rather than take a side, he came home and said to me, "Take this **academic failure** as a very **important lesson** in your life. You can learn a lot or you can learn a little from this incident. You can be **angry, blame** the teacher, and hold a **grudge**. Or you can look at your own behavior and learn more about yourself and grow from the experience. I don't think the teacher should have awarded so many failing marks. But I do think you and your friends need to become **better students**. I hope both the students and the teacher grow from this experience."

I must admit I did hold a **grudge**, I still don't like the teacher, and I hated going to school after that. I never liked being told to **study subjects** I was not interested in or knew I would never use once school was over. Although the **emotional scars** were deep, I did **buckle down a little more**, my attitude **changed**, my study habits **improved**, and I graduated from high school on

schedule. I was also one of two students awarded a congressional appointment to the U.S. Merchant Marine Academy, from which I graduated in **1969**, with a Bachelor of Science degree.

At the Academy I overcame my fear of **writing** and actually learned to enjoy it, although I am still a **poor writer technically.** I thank Dr. A. A. Norton, who was my English teacher for two years at the Academy, for helping me overcome my **lack of self-confidence**, my **past fears** and **my grudges.** If not for Dr. Norton and Sharon Lechter, my partner and co-author, I doubt if I would have become a *New York Times* and *Wall Street Journal* best-selling author today.

Most importantly, I took my dad's advice and made the best of a bad situation. Looking back, I can see how failing English and almost the tenth grade was a blessing in disguise. The incident caused me to buckle down and make a few corrections in my **attitude** and **study habits.** I realize that if I had not made those corrections in the tenth grade, I would surely have flunked out in college.

Rich Dad's Comments

His son's F in English from the same teacher **disturbed** rich dad. He was **grateful** that my dad intervened and set up a summer school program for us to make up our failing grades. Yet, he used the **experience** to pass along a different lesson to **Mike and me.**

"Our lives are **ruined,**" I said. "What is the use?" added Mike. "We will never get ahead because of that one teacher. On top of that, we have to spend **our summer** in a classroom." Mike and I **complained a lot** after we failed English. In some ways we felt our future, at least our summer, had been taken away from us. We could see the **so-called smart kids** moving on and we felt we were left behind. Many of our fellow classmates walked by us and **snickered.** A few called us "**losers.**" Occasionally we heard behind our backs, "If you don't have good grades, **you won't get into a good college.**" Or, "If you think **high school** English is hard, just wait till you get to **college.**" We tried to handle the rude comments that are common among kids, and we tried to **laugh it off.** Yet, deep down, **it still hurt.** The truth was that **we did feel like failures** and we did feel that we were being **left behind.**

One day after summer school, Mike and I were sitting in rich dad's office, discussing our classmates' comments and how we felt about them. Rich dad

overheard us, sat down, looked the two of us straight in the eye, and said, “I’m tired of you two boys **whining and complaining**. I’m tired of the two of you thinking **like victims** and **acting like losers**.” He sat there **glaring** at us. “Enough is enough. You failed. So what? Just because you failed once **doesn’t** make you a failure. Just look at **how many times I’ve failed**. So stop feeling sorry for yourselves and stop letting your classmates **get to you**.”

“But we now have bad grades,” I **protested**. “Those bad grades will stay with us forever. How will we get into a good college or university?”

“Look,” said rich dad. “If you two boys let one bad grade ruin your life, **you have no future anyway**. If you let one bad grade be your downfall, then real life would have **beaten you** anyway. Real life is much **tougher** than high school English. And if you blame your English teacher and you think that English teacher was tough, then you have a **rude awakening** waiting for you when you enter the real world. The world outside of school is filled with people **much harder, much tougher, and much more demanding** than your English teacher. So, to repeat: If you let one bad grade and one English teacher ruin your future, **then you had no future anyway**.”

“But what about the kids that are teasing us and laughing at us?” Mike complained.

“Oh come on,” said rich dad with a chuckle soon breaking into a laugh. “Look at how many people criticize me! Robert, look at how many times your dad has been publicly criticized. Look at how many times both our names have been in the news. How many times I have been called a greedy businessman and your dad an unfair public servant? If you two let a bunch of kids with pimples on their faces get to you and defeat you, then you really will be failures.

“One difference between a successful person and an average person is how much criticism they can take. The average person cannot take much criticism and that is why they remain average all their lives. That is why they fail to be leaders. Average people live in fear of what someone else may say or think of them. So they live their lives going along and getting along with all the other average people... living in fear of criticism. Living in fear of what someone else might think of them or criticize them for. People are always critical of other people. Look, I criticize your dad and I know he criticizes me—yet we still respect each other.

“But if people are criticizing you, at least they’ve noticed you. Be worried if no one is criticizing you,” rich dad concluded with a laugh. “You’ve given

them something to talk about. You've given them something to break the boring monotony of their lives. If you can learn to handle criticism, you are learning something valuable for your life," rich dad said, still laughing. "Look, 33 percent of the people will love you no matter what you do. Thirty-three percent of the people will dislike you regardless of what you do, good or bad. And 33 percent of the people don't care either way. Your job in life is to ignore the 33 percent who will never like you and do your best to convince the 33 percent in the middle to join the 33 percent who love you. That's it. The only thing worse than being criticized is not being criticized." He laughed heartily at himself.

"So even grown-ups live in fear of other people and being criticized?" I asked, doing my best to get back to the lesson and away from rich dad's laughter. He thought it was funny but I didn't see the humor.

Rich dad nodded and grew more serious. "It's the number one fear of most humans. It's called the fear of ostracism—the fear of being different, of standing outside the herd. That is why public speaking is the number one fear... a fear greater than death for many people."

"So people just join the herd and hide in the herd because they are afraid of being criticized?" Mike asked.

"Yes, and that is one reason so few people ever achieve great wealth. Most people feel safer in the herd of the average, living in fear of being criticized or being different," said rich dad. "Most people find it easier to be average, to be normal, to hide, doing exactly what the herd does... just going along... just to get along."

"What you are saying is that this whole affair of flunking English class could be a very good thing for us in the long run?" Mike asked.

"If you want to make it a good thing," replied rich dad quietly. "Or you can make it a bad thing."

"But what about our grades? Those grades will go with us for the rest of our lives," I added with a slight whine.

Rich dad shook his head and then leaned over speaking sternly, "Look, Robert. I will share with you a big secret." Rich dad paused to make sure I was hearing his communication directly and without distortion. He then said, "*My banker has never asked me for my report card.*"

His comment startled me and jolted me out of my chain of thinking—the chain of thought that was saying my life was ruined because of bad grades. "What are you saying?" I responded feebly, not fully understanding where he was going with this statement.

“You heard me,” rich dad said, also rocking back in his chair. He knew I heard him. He was letting his statement settle in. He knew that it was shaking a core value of my family, a family of educators.

“Your banker has never asked you for your report card?” I repeated quietly. “Are you saying grades aren’t important?”

“Did I say that?” asked rich dad. “Did I say grades *aren’t* important?”

“No,” I replied sheepishly. “You did not say that.”

“So what did I say?”

I blurted out, now able to repeat the statement, “You said, ‘My banker has never asked me for my report card.’” In my family, report cards and good grades were almost sacred.

“When I go to see my banker,” rich dad began again, “he does not say, ‘Show me your grades.’ Does he?” Rich dad continued on without waiting for an answer. “Does my banker ask, ‘Were you a straight-A student? Does he ask me to show him my report card? Does he say, ‘Oh, you had good grades. Let me lend you a million dollars’? Does he say things like that?”

“I don’t think so,” said Mike. “At least he has never asked you for your report card when I was with you in his office. And I know he does not lend you money based on your grade point average.”

“So what does he ask for?” asked rich dad.

“He asks you for your financial statement,” Mike replied quietly. “He always asks for updated P&Ls—profit and loss statements—and balance sheets.”

Rich dad continued. “Bankers always ask for a financial statement. Bankers ask everyone for a financial statement. Why do you think they ask everyone, rich or poor, educated or uneducated, for a financial statement before they will lend them any money?”

Mike and I shook our heads silently and slowly waiting for the answer. “I’ve never really thought about it,” said Mike, finally. “Why don’t you tell us?”

“Because your financial statement is your report card once you leave school,” rich dad said in a strong, low voice. “The problem is, most people leave school and have no idea what a financial statement is.”

“My financial statement is my report card once I leave school?” I asked incredulously.

Rich dad nodded his head. “It’s one of your report cards—a very important report card. Other report cards are your annual health checkup, your weight, your blood pressure, and the emotional health of your marriage.”

“So a person could have straight As on their report card in school and have Fs on their financial statement in life?” I asked. “Is that what you are saying?”

Rich dad agreed. “It happens all the time. Often, people who had good grades in school have poor to average financial grades in life.”

Good Grades Count in School—Financial Statements Count in Life

Receiving a failing grade at age fifteen turned out to be a very valuable experience for me because I realized I had developed a bad attitude toward my studies. It was a wake-up call to make corrections. I also realized early in life that while grades are important in school, my financial statements would be my report card once I left school.

Rich dad said to me, “In school, students are given report cards once a quarter. If a child is in trouble, the child at least has time to make the proper corrections if he or she wants to. In real life, many adults never receive a financial report card—until it’s too late. Because many adults do not have a quarterly financial report card, many adults fail to make the financial corrections necessary to lead a financially secure life. They may have a high-paying job, a big home, a nice car, and they may be doing well at work, yet they are failing financially at home. They may be too old or out of time when they finally realize they have failed financially. That is the price of not having a financial report card at least once a quarter”

Learn from Your Mistakes

Both my dads did not like the fact that their sons failed in school. Yet, both dads did not treat us as failures. Instead, they encouraged us to learn from our mistakes. As my schoolteacher dad said, “Fail is a verb... not a noun.” Unfortunately, too many people think that when they fail, they become a noun and call themselves *failures*. If people can *learn to learn* from their mistakes, just as children learn to ride bicycles by falling off bicycles, whole new worlds will open up. If they go along with the herd of people who avoid making mistakes, or lie, or blame someone else, then they fail to take advantage of the primary way human beings were designed to learn... and that is through making mistakes and learning from those mistakes.

If I had not failed scholastically at age fifteen, I might never have graduated

from college and I doubt if I would have learned that the report card for life after school would be my personal financial statement. That mistake at age fifteen was priceless in the long run. The reason so few people achieve great wealth is simply because they fail to make enough mistakes. Mistakes can be priceless if we are willing to learn from them.

People who have made a mistake but have not yet learned lessons are often people who continue to say, "It wasn't my fault." Those are the words of a person who is wasting one of life's greatest gifts, the gift of making a mistake. Our jails are filled with people who continue to say, "I'm innocent. It wasn't my fault." Our streets are filled with people who lead unfulfilled lives because they continue to repeat what they were taught at home and in our schools: "Play it safe. Don't make mistakes. Mistakes are bad. People who make too many mistakes are failures."

When I speak to a group of people, I often say, "I am in front of you today because I have made more mistakes than most of you and I have lost more money than most of you." In other words, the price of becoming rich is the willingness to make mistakes, to admit you made a mistake without blaming or justifying, and to learn. The people who often have the least success in life are those who are unwilling to make mistakes or have made mistakes and have not yet learned the lesson... so they get up each morning and continue to make the same mistakes.